

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1842 - SB 1984

February 27, 2018

SUMMARY OF BILL: Authorizes any restaurant, having a full commercial kitchen and full-time kitchen staff that serves full meals 24-hours per day, which, as of 2017, operates within a central business district in Nashville, to sell alcoholic beverages for on-premises consumption all day, except during the hours between 3 a.m. and 4 a.m.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – \$1,700

Increase Local Revenue – \$1,200

Assumptions:

- This bill only applies to the Sun Diner in Davidson County.
- Pursuant to Tenn. Code Ann. § 57-4-203, restaurants are prohibited from selling alcoholic beverages, malt beverages, and wine between the hours of 3:00 a.m. and 8:00 a.m. and between 3:00 a.m. and 12:00 noon on Sundays.
- The Sun Diner is authorized under current law to sell alcoholic beverages as a restaurant; therefore, this legislation will not result in additional licensing revenue for the Alcoholic Beverage Commission.
- This legislation will extend the hours that sales of such beverages are authorized.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate in Davidson County is 2.25 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- Based on the interquartile average of 2017 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Authorizing sales during additional hours is estimated to increase sales by 10 percent or \$12,000 per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$1,710 $[(\$12,000 \times 7.0\%) - (\$12,000 \times 7.0\% \times 3.617\%) + (\$12,000 \times 15.0\% \times 50.0\%)]$.

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- The recurring increase in local revenue is estimated to be \$1,200 [(\$12,000 x 2.25%) + (\$12,000 x 7.0% x 3.617%) + (\$12,000 x 15.0% x 50.0%)].
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.
- According to the Tennessee Alcoholic Beverage Commission (ABC), this legislation will have no impact on the ABC.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb